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SUBJECT: GAS EMERGENCY IN SLOVAKIA

SUMMARY

¶1. (SBU) The GoS declared a state of emergency as a result of the Russian gas shutdown early on January 7. Gas distribution to home customers will have limited availability. Several big companies, including automakers and their suppliers, have already shut down production, while others have cut back. At the emergency level, Slovakia has 70 days of reserves available, though there may be a significant shortfall in the system's ability to meet demand if the cold weather continues. Pressure problems may also cause electrical blackouts in eastern provinces. The Fico Government has delivered protest notes to both the Ukrainian and Russian ambassadors and appears not to be taking its usual strong pro-Russia position in the crisis. End summary.

STATE OF EMERGENCY

¶2. (U) The Slovak Government declared a state of emergency yesterday as natural gas supplies from Russia shut down completely early on January 7, following a significant decrease in gas supplies over the weekend. The Ministry of Economy called a crisis group meeting and has required all large industrial gas users (those consuming over 60,000 cubic meters per year) to limit consumption to the minimum required for safety purposes. Approximately 1,000 companies in Slovakia are affected by this, including the economically critical auto manufacturers and US Steel Kosice. Residential customers and essential plants such as schools and hospitals have no restrictions, as is true of central municipal heating plants, the primary source of heat for most households and smaller businesses.

¶3. (U) According to Economy Minister Lubomir Jahodatek, Slovakia has gas reserves totaling 2 billion cubic meters, enough to guarantee gas supplies to households, hospitals, and schools for 70 days under the emergency measures. The average daily non-industrial gas consumption of Slovakia is approximately 23 millions cubic meters (mcm), though the current cold snap has driven the rate far above normal at 30 mcm. The current pipeline system connection with the gas reserves technically allows only about 24 mcm per day to be delivered, so there is the possibility of a significant gas deficit in the absence of any outside supply.

TECHNICAL PROBLEMS THREATEN EAST

¶4. (U) Apart from the lack of gas, there is also a technical problem with inadequate pressure in the pipeline system as a result of the shutdown of supplies from Ukraine via the eastern Slovakia transfer station at Kapusany. Gas distributor SPP has already sealed off both ends of the

pipeline system in order to preserve pressure within the country, but the slow response of corporate customers to the emergency decree has reduced pressure to near the minimum. A constant minimum pressure throughout the system is necessary to move gas from reserves in western Slovakia to users in the eastern districts.

¶15. (U) Another potentially serious technical problem threatens the electricity grid, which includes thermal plants running on natural gas, particularly in the East. Further decreases in pipeline pressure may endanger gas deliveries eastward, and in the worst case this may result in electrical blackouts in that part of the country. The Ministry of Economy has just added the state-owned electrical transmission system operator SEPS to its crisis team to prioritize gas deliveries to power plants and to look into alternative fuel supplies for plants that can use them. Prime Minister Fico has publicly floated the option of restarting the Jaslovske Bohunice nuclear power plant, which was shut down on 31 December as part of Slovakia's EU accession agreement.

ECONOMIC IMPACT, DIPLOMATIC ACTION

¶16. (SBU) The economic impact of the emergency measures has been immediate: automakers Kia and PSA Citroen-Peugeot have halted production, as have tire manufacturer Continental and a host of large auto industry suppliers. U.S. Steel Kosice has cut production across the board, though it has not stopped production altogether. (For technical reasons, stopping and restarting steel production is extremely expensive and time-consuming.) The reaction among manufacturers has been muted; as some have told us privately, the economic crisis has had many of them looking for ways to cut back production, and the gas crisis has given them a reason and a culprit.

¶17. (U) The Slovak Government has taken some measured diplomatic action. Prime Minister Robert Fico has stated an unwillingness to become "an arbiter of commercial disputes between gas companies in Russia and Ukraine," and the government has delivered notes of protest to the Russian and Ukrainian ambassadors here. Fico has reportedly spoken with PM Putin and is scheduled to speak with PM Tymoshenko today. The Ministry of Economy says its crisis action team is in constant contact with counterparts in Ukraine, Russia, and downstream countries.

COMMENT: NO PRO-RUSSIAN POSTURING

¶18. (SBU) Fico's normally strong pro-Russia stance on a variety of international issues is often interpreted here as a ploy to curry favor with its sole energy supplier. In the Ukraine gas crisis of 2006, a number of government officials opined that the crisis was Ukraine's fault or even a concoction of the U.S. and EU. We are relieved to see Fico spreading the public blame between Ukraine and Russia, where he might have been expected to side with the Russians. It is yet to be seen whether this represents a realization of the precariousness of Slovakia's total energy dependence on Russia and Ukraine, let alone a determination to do something about it.

OBSITNIK